

ST JOE CO  
Form DEF 14A  
April 05, 2012  
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**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

The St. Joe Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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**The St. Joe Company**  
**133 South WaterSound Parkway**  
**WaterSound, Florida 32413**

**NOTICE OF 2012 ANNUAL MEETING OF SHAREHOLDERS**

April 5, 2012

Dear Shareholder:

It is my pleasure to invite you to attend The St. Joe Company's 2012 Annual Meeting of Shareholders. The meeting will be held on Thursday, May 17, 2012, at 10:00 a.m. Central Daylight Time at the WaterColor Inn, 34 Goldenrod Circle, Santa Rosa Beach, Florida 32459. At the meeting, you will be asked to:

1. Elect eight directors for a one year term expiring at the 2013 Annual Meeting of Shareholders.
2. Ratify the appointment of KPMG LLP as our independent registered public accounting firm for the 2012 fiscal year.
3. Approve, on an advisory basis, the compensation of our named executive officers.
4. Transact such other business as may properly come before the Annual Meeting and any adjournment or postponement of the Annual Meeting.

Only shareholders of record as of the close of business on March 15, 2012 may vote at the Annual Meeting.

It is important that your shares be represented at the Annual Meeting, regardless of the number you may hold. *Whether or not you plan to attend, please vote using the Internet, by telephone or by mail, in each case by following the instructions in our proxy statement.* This will not prevent you from voting your shares in person if you are present.

I look forward to seeing you on May 17, 2012.

Sincerely,

Bruce R. Berkowitz

Chairman of the Board

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We mailed a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy statement and annual report on or about April 5, 2012.

**St. Joe s proxy statement and annual report are available online at**

**<https://materials.proxyvote.com/790148>.**

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**The St. Joe Company**  
**133 South WaterSound Parkway**  
**WaterSound, Florida 32413**

**PROXY STATEMENT**

**Proxy Statement for 2012 Annual Meeting of Shareholders to be held on May 17, 2012**

You are receiving this proxy statement because you own shares of our common stock that entitle you to vote at the 2012 Annual Meeting of Shareholders, which we refer to as the 2012 Annual Meeting. Our Board of Directors is soliciting proxies from shareholders who wish to vote at the meeting. By use of a proxy, you can vote even if you do not attend the meeting. This proxy statement describes the matters on which you are being asked to vote and provides information on those matters so that you can make an informed decision.

**Date, Time and Place of the 2012 Annual Meeting**

We will hold the 2012 Annual Meeting on Thursday, May 17, 2012, at 10:00 a.m. Central Daylight Time at the WaterColor Inn, 34 Goldenrod Circle, Santa Rosa Beach, Florida 32459.

**I. Questions and Answers About Voting at the 2012 Annual Meeting and Related Matters**

**Q:** *Who may vote at the 2012 Annual Meeting?*

**A:** You may vote all of the shares of our common stock that you owned at the close of business on March 15, 2012, the record date. On the record date, we had 92,278,431 shares of our common stock outstanding and entitled to be voted at the meeting. You may cast one vote for each share of our common stock held by you on all matters presented at the meeting.

**Q:** *What constitutes a quorum, and why is a quorum required?*

**A:** We are required to have a quorum of shareholders present to conduct business at the meeting. The presence at the meeting, in person or by proxy, of the holders of a majority of the shares entitled to vote on the record date will constitute a quorum, permitting us to conduct the business of the meeting. Proxies received but marked as abstentions, if any, will be included in the calculation of the number of shares considered to be present at the meeting for quorum purposes. If we do not have a quorum, we will be forced to reconvene the 2012 Annual Meeting at a later date.

**Q:** *What is the difference between a shareholder of record and a beneficial owner?*

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**A:** If your shares are registered directly in your name with St. Joe's transfer agent, American Stock Transfer & Trust Company, you are considered, with respect to those shares, the shareholder of record.

If your shares are held by a brokerage firm, bank, trustee or other agent (nominee), you are considered the beneficial owner of shares held in street name. The Notice of Internet Availability of Proxy Materials (Notice) has been forwarded to you by your nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your nominee on how to vote your shares by following their instructions for voting by telephone or on the Internet or, if you specifically request a copy of the printed materials, you may use the voting instruction card included in such materials.



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**Q: *How do I vote?***

**A:** If you are a shareholder of record, you may vote:

via Internet;

by telephone;

by mail, if you have received a paper copy of the proxy materials; or

in person at the meeting.

Detailed instructions for Internet and telephone voting are set forth on the Notice, which contains instructions on how to access our proxy statement and annual report online. You may also vote in person at the 2012 Annual Meeting.

If you are a beneficial shareholder, you must follow the voting procedures of your nominee included with your proxy materials. If your shares are held by a nominee and you intend to vote at the meeting, please bring with you evidence of your ownership as of the record date (such as a letter from your nominee confirming your ownership or a bank or brokerage firm account statement).

**Q: *What am I voting on?***

**A:** At the 2012 Annual Meeting you will be asked to vote on the following three proposals. Our Board recommendation for each of these proposals is set forth below.

	<b>Proposal</b>	<b>Board Recommendation</b>
1.	To elect eight directors for a one year term expiring at the 2013 Annual Meeting of Shareholders.	<b>FOR</b>
2.	To ratify the appointment of KPMG LLP ( KPMG ) as our independent registered public accounting firm for the 2012 fiscal year.	<b>FOR</b>
3.	To approve, on an advisory basis, the compensation of our named executive officers, which we refer to as Say on Pay.	<b>FOR</b>

We will also consider other business that properly comes before the meeting in accordance with Florida law and our Bylaws.

**Q: *What happens if additional matters are presented at the 2012 Annual Meeting?***

**A:** Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the 2012 Annual Meeting. If you grant a proxy, the persons named as proxy holders, Messrs. Bruce R. Berkowitz and Park Brady, will have the discretion to vote your shares on any additional matters properly presented for a vote at the meeting in accordance with Florida law and our Bylaws.

**Q:** *How many votes are needed to elect the director nominees (Proposal 1)?*

**A:** Under our Bylaws, a majority of the votes cast is required for the election of directors.

**Q:** *How many votes are needed to approve the ratification of KPMG (Proposal 2)?*

**A:** Under our Bylaws, a majority of the votes cast is required to approve the ratification of KPMG as our independent registered certified public accounting firm.

**Q:** *How are votes counted for the advisory proposal regarding Say on Pay (Proposal 3)?*

**A:** Proposal 3 is an advisory vote, which means that while we ask shareholders to approve resolutions regarding Say on Pay, it is not an action that requires shareholder approval. Consequently, our Bylaw provisions

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regarding voting requirements do not apply to this proposal. We will report the results of the shareholder vote on this proposal based on the number of shares cast. If more shares vote FOR the Say on Pay proposal than vote AGAINST, we will consider the proposal approved.

**Q: *What is the effect of the advisory votes on Proposal 3?***

**A:** Although the advisory vote on Proposal 3 is non-binding, our Board and the Compensation Committee will review the results of the vote and take it into account in making a determination concerning executive compensation.

**Q: *What if I sign and return my proxy without making any selections?***

**A:** If you sign and return your proxy without making any selections, your shares will be voted FOR proposals 1, 2, and 3. If other matters properly come before the meeting, Messrs. Bruce R. Berkowitz and Park Brady will have the authority to vote on those matters for you at their discretion. As of the date of this proxy, we are not aware of any matters that will come before the meeting other than those disclosed in this proxy statement.

**Q: *What if I am a beneficial shareholder and I do not give the nominee voting instructions?***

**A:** If you are a beneficial shareholder and your shares are held in the name of a broker, the broker is bound by the rules of the New York Stock Exchange ( NYSE ) regarding whether or not it can exercise discretionary voting power for any particular proposal if the broker has not received voting instructions from you. Brokers have the authority to vote shares for which their customers do not provide voting instructions on certain routine matters. A broker non-vote occurs when a nominee who holds shares for another does not vote on a particular item because the nominee does not have discretionary voting authority for that item and has not received instructions from the owner of the shares. Broker non-votes are included in the calculation of the number of votes considered to be present at the meeting for purposes of determining the presence of a quorum but are not counted as shares present and entitled to be voted with respect to a matter on which the nominee has expressly not voted.

The table below sets forth, for each proposal on the ballot, whether a broker can exercise discretion and vote your shares absent your instructions and if not, the impact of such broker non-vote on the approval of the proposal.

<b>Proposal</b>	<b>Can Brokers Vote Absent Instructions?</b>	<b>Impact of Broker Non-Vote</b>
Election of Directors	No	None
Ratification of Auditors	Yes	Not Applicable
Say on Pay	No	None

**Q: *What if I abstain or withhold authority to vote on a proposal?***

**A:** If you sign and return your proxy marked abstain on any proposal, your shares will not be voted on that proposal and will not be counted as votes cast in the final tally of votes with regard to that proposal. However, your shares will be counted for purposes of determining whether a quorum is present.

**Q: *Can I change my vote after I have delivered my proxy?***

- A:** Yes. You may revoke your proxy at any time before its exercise. You may also revoke your proxy by voting in person at the 2012 Annual Meeting. If you are a beneficial shareholder, you must contact your nominee to change your vote or obtain a proxy to vote your shares if you wish to cast your vote in person at the meeting.

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**Q:** *Who can attend the 2012 Annual Meeting?*

**A:** Only shareholders and our invited guests are invited to attend the 2012 Annual Meeting. To gain admittance, you must bring a form of personal identification to the meeting, where your name will be verified against our shareholder list. If a broker or other nominee holds your shares and you plan to attend the meeting, you should bring a recent brokerage statement showing your ownership of the shares as of the record date, a letter from the broker confirming such ownership, and a form of personal identification.

**Q:** *If I plan to attend the 2012 Annual Meeting, should I still vote by proxy?*

**A:** Yes. Casting your vote in advance does not affect your right to attend the 2012 Annual Meeting. If you vote in advance and also attend the meeting, you do not need to vote again at the meeting unless you want to change your vote. Written ballots will be available at the meeting for shareholders of record.

Beneficial shareholders who wish to vote in person must request a legal proxy from the broker or other nominee and bring that legal proxy to the 2012 Annual Meeting.

**Q:** *Where can I find voting results of the 2012 Annual Meeting?*

**A:** We will announce the results for the proposals voted upon at the 2012 Annual Meeting and publish final detailed voting results in a Form 8-K filed within four business days after the 2012 Annual Meeting.

**Q:** *Who should I call with other questions?*

**A:** If you have additional questions about this proxy statement or the meeting or would like additional copies of this proxy statement or our annual report, please contact: The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413, Attention: Investor Relations, Telephone: 850-231-6400.

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**II. PROPOSAL 1 ELECTION OF DIRECTORS**

Under our Bylaws, directors are elected for a one-year term expiring at the next annual meeting of shareholders. Upon the recommendation of the Governance and Nominating Committee ( Governance Committee ), our Board has nominated Mr. Bruce R. Berkowitz, Mr. Park Brady, Governor Charles J. Crist, Jr., Mr. Howard S. Frank, Mr. Jeffrey C. Keil and Mr. Thomas P. Murphy Jr. for re-election and has nominated Mr. Cesar Alvarez and Mr. Stanley Martin to serve as directors, each for a one-year term that will expire at the 2013 Annual Meeting of Shareholders, and each has consented to serve if elected.

We believe that each of our directors possesses the experience, skills and qualities to fully perform his duties as a director and contribute to our success. Our directors were nominated because each possesses the highest standards of personal integrity and interpersonal and communication skills, is highly accomplished in his field, has an understanding of the interests and issues that are important to our shareholders and is able to dedicate sufficient time to fulfilling his obligations as a director. Our directors as a group complement each other and each other's respective experiences, skills and qualities.

Each director's principal occupation and other pertinent information about particular experience, qualifications, attributes and skills that led the Board to conclude that such person should serve as a director appears on the following pages.

**The Board of Directors recommends a vote FOR each of the following director nominees.**

**Current Directors**

**Bruce R. Berkowitz**

Director since 2011

Chairman since 2011

Age 53

Mr. Berkowitz is the Founder, Managing Member and Chief Investment Officer of Fairholme Capital Management, L.L.C. ( Fairholme ) and President and a Director of Fairholme Funds, Inc. (the Fund ). Mr. Berkowitz has served as a Director of the Fund since 1999. He has also served as a Director of White Mountains Insurance Group, Ltd., a financial services holding company, from 2004-2010, AmeriCredit Corporation, a retail financial services company, from 2008-2009, TAL International Group Inc., a lessor of intermodal freight containers and chassis, from 2004-2009, and Winthrop Realty Trust, Inc., a real estate investment trust, from 2000-2008.

*Qualifications.* The Board nominated Mr. Berkowitz to serve as a director of the Board because of his extensive financial and investment experience and a valuable network of business and professional relationships.

**Park Brady**

Director since 2011

Age 64

Mr. Brady has served as Chief Executive Officer of St. Joe since October 2011 and as Chief Operating Officer of St. Joe since March 2011. Prior to joining us, Mr. Brady served as President and Chief Executive Officer of ResortQuest, the nation's largest vacation rental company, from June 2007 to March 2011. During his tenure at ResortQuest, Mr. Brady served as an original member of the company's board and held various executive positions including Corporate Vice President and Chief Operating Officer before being named CEO in June of 2007.

*Qualifications.* The Board nominated Mr. Brady to serve as a director of the Board because of his current and prior senior executive experience, his operational knowledge and his business and competitive knowledge of St. Joe's industry.

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**Governor Charles J. Crist, Jr.**

Director since 2011

Age 55

Governor Crist was the 44th Governor of the State of Florida and served as Governor from 2007 to 2011. Governor Crist previously served as Attorney General of Florida from 2003 to 2007 and Education Commissioner of Florida from 2001 to 2003. Governor Crist also served as a Senator in the Florida Senate. Governor Crist is currently an attorney with the law firm of Morgan & Morgan.

*Qualifications.* The Board nominated Governor Crist to serve as a director of the Board based on his executive experience gained from serving as the Governor of the State of Florida and his extensive knowledge of the State of Florida and its citizens, legislative process, potential for growth and economy.

**Howard S. Frank**

Director since 2011

Age 71

Mr. Frank is the Chief Operating Officer and Vice Chairman of the board of directors of Carnival Corporation and Carnival plc, the largest cruise vacation group in the world. Mr. Frank joined Carnival as Senior Vice President-Finance and Chief Operating Officer in July 1989 and has served as Carnival's Vice Chairman and Chief Operating Officer since January 1998. Mr. Frank is a past Chairman and current Vice Chairman of the Board of Trustees for the New World Symphony and currently serves as Independent Director on the board of directors of the Fund.

*Qualifications.* The Board nominated Mr. Frank to serve as a director of the Board because he has an established track record of achievement and sound business judgment demonstrated throughout his career with Carnival Corporation and Carnival plc.

**Jeffrey C. Keil**

Director since 2011

Age 68

Mr. Keil is a private investor who previously served as President and a director of Republic New York Corporation and Vice Chairman of Republic National Bank of New York from 1984 to 1996. Mr. Keil currently serves as a director of Leucadia National Corporation (since 2004) and BlackRock Institutional Trust Company (since 2010). Mr. Keil was formerly a director of Presidential Life Insurance Company and Anthracite Capital, Inc., a specialty real estate finance company.

*Qualifications.* The Board nominated Mr. Keil to serve as a director of the Board because of his prior and current public company experience, including senior executive experience and service as a director.

**Thomas P. Murphy, Jr.**

Director since 2011

Age 63

Mr. Murphy is Chairman and Chief Executive Officer of Coastal Construction Group, a construction company, which he founded in 1989. Mr. Murphy has 44 years of construction and development experience, which encompasses hospitality, resort, single and multi-family residential, commercial, educational and industrial projects. Mr. Murphy is an honorary board member of Baptist Health Systems of South Florida and is a member of the Construction Industry Round Table, the National Association of Home Builders and the Florida Home Builders Association. Mr. Murphy also co-founded Seaboard Construction, which he grew to become one of the largest general contractors in Florida, selling the company in 1988 to Turner Construction, the largest general contractor in the U.S. at the time. Mr. Murphy has served as a director of Interval Leisure Group, Inc. since August 2008.

*Qualifications.* The Board nominated Mr. Murphy to serve as a director of the Board because he has valuable entrepreneurial skills and extensive knowledge of construction and real estate in Florida. Mr. Murphy also has experience serving on the board of a public company.





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**New Director Nominees**

**Stanley Martin**

Age 64

Mr. Martin is currently a private investor with significant finance executive experience. From 2004 to 2006, Mr. Martin served as the Chief Audit Executive for the Federal Home Loan Mortgage Corporation. Previously, he served as the Chief Financial Officer of Republic New York Corporation and Republic New York Bank from 1998 until its acquisition by HSBC in 2000 and then as an Executive Vice President with HSBC through April 2003. Mr. Martin currently serves as a member of the Board of Trustees and Chairman of Audit Committee-John Hancock Funds, which is composed of 50 mutual funds including 10 New York stock exchange closed end funds. Mr. Martin was previously a partner of and spent 27 years with KPMG LLP.

*Qualifications.* The Board nominated Mr. Martin to serve as a director of the Board because of his significant financial and accounting experience and his experience as a Audit Committee Chair. Mr. Martin was identified as a potential director candidate to the Governance Committee by Mr. Keil. The Governance Committee then undertook its own evaluation of Mr. Martin's qualifications and based on such qualifications, Mr. Martin was nominated.

**Cesar L. Alvarez**

Age 64

Mr. Alvarez has served since January 2010 as the Executive Chairman of the international law firm of Greenberg Traurig, P.A. and previously served as its Chief Executive Officer from 1997 until his election as Executive Chairman. Mr. Alvarez also serves on the Board of Directors of Watsco, Inc. Fairholme Funds, Inc. and Mednax, Inc. Mr. Alvarez served as a director of Atlantis Plastics, Inc. from 1995 until 2008 and as a director of New River Pharmaceuticals, Inc. from 2004 until 2007.

*Qualifications.* The Board nominated Mr. Alvarez to serve as a director of the Board due to his management experience as the current Executive Chairman and as former Chief Executive Officer of one of the nation's largest law firms with professionals providing services in multiple locations across the country as well as his many years of corporate governance experience, both counseling and serving on the Boards of Directors of other publicly traded companies. Mr. Alvarez was identified as a potential director candidate to the Governance Committee by Mr. Berkowitz. The Governance Committee then undertook its own evaluation of Mr. Alvarez's qualifications and based on such qualifications, Mr. Alvarez was nominated.

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### **III. CORPORATE GOVERNANCE**

#### **Corporate Governance Guidelines**

The Board of Directors adopted Corporate Governance Guidelines, which describe our corporate governance practices and policies and provide a framework for our Board governance. The topics addressed in our Corporate Governance Guidelines include, among other things:

Director independence (including our Policy Regarding Director Independence Determinations);

Director qualifications and responsibilities;

Board structure; director resignation policy;

Director compensation;

Management succession; and

The periodic performance evaluation of the Board.

From time to time, the Governance Committee will review our Corporate Governance Guidelines, and, if necessary, will recommend changes to the Board. Our Corporate Governance Guidelines, which were last revised on September 12, 2011, are available to view at our website, [www.joe.com](http://www.joe.com), under the Investor Relations-Corporate Governance section.

#### **Board Leadership Structure**

As stated in our Corporate Governance Guidelines, it is the policy of St. Joe that the positions of CEO and Chairman of the Board may be filled by the same person or different persons. As such, the Board remains free to make this determination from time to time in a manner that seems most appropriate for St. Joe. Currently, St. Joe separates the positions of CEO and Chairman of the Board in recognition of the differences between the two roles. The CEO is responsible for the strategic direction of St. Joe and the day to day leadership and performance of St. Joe, while the Chairman of the Board provides guidance to the CEO, sets the agenda for the Board meetings and presides over meetings of the Board. In addition, St. Joe believes that the current separation provides a more effective monitoring and objective evaluation of the CEO's performance. The separation also allows the Chairman of the Board to strengthen the Board's independent oversight of St. Joe's performance and governance standards.

#### **Director Independence**

To assist it in making independence determinations, the Board adopted categorical standards of director independence, which are attached as Annex A to our Corporate Governance Guidelines. The categorical standards of director independence are consistent with the independence standards set forth in Section 303A.02 of the NYSE listing standards. In addition to the NYSE standards for director independence, the Board has adopted an additional categorical standard for director independence. The Board has determined that transactions with the Company involving a director or candidate for director of an entity with whom the director or candidate is affiliated that are conducted on an arm's-length basis in the ordinary course of business will not be deemed to affect a director's independence.

Pursuant to our Corporate Governance Guidelines, the Board undertakes an annual review of director independence, which includes a review of each director's responses to questionnaires asking about any relationships with us. This review is designed to identify and evaluate any transactions or relationships between a director or any member of his or her immediate family and us or members of our senior management. In its independence review, the Board considered Mr. Durden's previous service as interim Chief Executive Officer of the Company and concluded that such service would not preclude an independence finding for Mr. Durden.



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Based on its independence review and after considering the transactions described above, the Board determined that each of the following current directors (which together constitute all of the members of the Board other than Mr. Brady) is independent: Mr. Berkowitz, Governor Crist, Mr. Durden, Mr. Frank, Mr. Keil, Ms. Kesler and Mr. Murphy.

**Board Committees**

The Board has the following four standing committees: Governance and Nominating Committee ( Governance Committee ), Audit and Finance Committee ( Audit Committee ), Compensation Committee and Executive Committee. Copies of the charters of each of the Governance Committee, the Audit Committee and the Compensation Committee setting forth the responsibilities of the Committees can be found under the About JOE Corporate Governance section of our website at www.joe.com, and such information is also available in print to any shareholder who requests it by contacting us at the following address: The St. Joe Company, 133 South WaterSound Parkway, WaterSound, Florida 32413, Attn: Corporate Secretary. We periodically review and revise the Committee charters. The Board adopted revised Governance Committee, Audit Committee and Compensation Committee Charters on December 12, 2011. The Executive Committee does not have a charter, it operates pursuant to delegated authority from the Board.

A summary of the current composition of each Committee is set forth below.

Name	Executive <sup>(2)</sup>	Governance and Nominating <sup>(3)</sup>	Compensation <sup>(4)</sup>	Audit and Finance <sup>(5)</sup>
Bruce R. Berkowitz <sup>(1)</sup>	Member			
Park Brady				
Governor Charles J. Crist, Jr. <sup>(2)</sup>	Chair	Chair	Member	
Hugh M. Durden	Member			
Howard S. Frank		Member		Chair
Jeffrey C. Keil			Member	Member
Delores M. Kesler			Chair	Member
Thomas P. Murphy Jr.	Member	Member		
Meetings held in 2011	1	5	8	10

<sup>(1)</sup> Chairman of the Board

<sup>(2)</sup> From March 2011 through September 2011, the Executive Committee was composed of Messrs. Berkowitz, Durden and Charles Fernandez. From September 2011 to date, the Executive Committee has been composed of those directors set forth in the table above.

<sup>(3)</sup> From January 2011 through March 2011, the Governance Committee was composed of Messrs. Michael L. Ainslie, Durden, John S. Lord and Walter L. Revell. From March 2011 to May 2011, the Governance Committee was composed of Governor Crist, Mr. Frank and Ms. Kesler. From May 2011 to date, the Governance Committee has been composed of those directors set forth in the table above.

<sup>(4)</sup> From January 2011 through March 2011, the Compensation Committee was composed of Messrs. Durden, John S. Lord and Thomas Fanning and Ms. Kesler. From March 2011 to October 2011, the Compensation Committee was composed of Ms. Kesler, Governor Crist and Mr. Fernandez. From October 2011 to date, the Compensation Committee has been composed of those directors set forth in the table above.

<sup>(5)</sup> From January 2011 through March 2011, the Audit Committee was composed of Messrs. Thomas Fanning, Michael L. Ainslie, John S. Lord and Walter L. Revell and Ms. Kesler. From March 2011 through September 2011, the Audit Committee was composed of Messrs. Thomas Fanning and Frank and Ms. Kesler. From September 2011 to date, the Audit Committee has been composed of those directors set forth in the table above.

**Board and Committee Meetings**

The Board met 18 times in 2011. Each member of the Board, other than Mr. Murphy, attended at least 75% of the meetings of the Board and committees on which he or she served in 2011. Non-management directors meet

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in executive session without management at each regularly scheduled Board meeting. Our Chairman of the Board presides during such sessions. Board members are expected to attend our annual meetings. At our 2011 annual meeting, all members of the Board were present.

### **Audit and Finance Committee**

#### ***Responsibilities***

The Audit Committee's responsibilities include:

appointing our independent auditors and monitoring their performance, qualifications and independence;

reviewing the quality and integrity of our financial statements and related disclosures;

reviewing the quality, adequacy and effectiveness of our internal controls;

reviewing our policies and processes with respect to risk assessment and risk management; and

supervising the internal audit department in the conduct of its operational responsibilities.

In addition, the Audit Committee has sole authority to pre-approve all auditing services, internal control-related audit services and permitted non-audit services to be provided by the independent auditors. The Audit Committee may, when it deems appropriate, delegate any of its responsibilities, as it deems appropriate, to a subcommittee composed of one or more members.

#### ***Independence and Financial Expertise***

The Board reviewed the background, experience and independence of the Audit Committee members based in large part on the directors' responses to questions relating to their relationships, background and experience. Based on this review, the Board determined that each member of the Audit Committee:

meets the independence requirements of the NYSE's corporate governance listing standards;

meets the enhanced independence standards for audit committee members required by the Securities and Exchange Commission (SEC); and

is financially literate, knowledgeable and qualified to review financial statements.

In addition, the Board determined that Howard S. Frank qualifies as an audit committee financial expert under SEC rules.

### **Compensation Committee**

#### ***Responsibilities***

The Compensation Committee's responsibilities include:

together with the other independent directors of the Board, setting the compensation of the Chief Executive Officer and our other executive officers;

overseeing the development and implementation of a compensation and benefits program;

approving grants and awards under our annual bonus and our equity incentive compensation plans;

reviewing and discussing the compensation and benefits of non-employee Directors; and

reviewing and discussing with management our Compensation Discussion and Analysis for inclusion in our proxy statement, annual report or other applicable SEC filing.

Information regarding the processes and procedures followed by the Compensation Committee in considering and determining executive compensation is provided below under the heading Compensation Discussion and Analysis.

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### ***Independence***

The Board reviewed the background, experience and independence of the Compensation Committee members based in large part on the directors' responses to questions relating to their relationships, background and experience. Based on this review, the Board determined that each member of the Compensation Committee:

meets the independence requirements of the NYSE's corporate governance listing standards;

is an outside director pursuant to the criteria established by the Internal Revenue Service; and

is a non-employee director pursuant to criteria established by the SEC.

### ***Role of Compensation Consultant***

The Compensation Committee has the sole authority to retain compensation consultants or advisors to assist it in evaluating CEO, executive and non-employee director compensation. As discussed in more detail in this Proxy Statement under the heading "Compensation Discussion and Analysis - Role of Compensation Committee, Outside Advisors and Management," the Compensation Committee has, from time to time, engaged Towers Watson as its independent compensation consultant. During the first two months of 2011, Towers Watson provided compensation services, but did not conduct official benchmarking.

### ***Role of Management***

Our Compensation Committee relies on management for legal, tax, compliance, finance and human resource recommendations, as well as data and analysis for the design and administration of the Company's compensation, benefits and perquisite programs for our senior executives. The Compensation Committee combines this information with the recommendations and information from its independent compensation consultant.

Our CEO and Vice President - Human Resources (VP HR) generally attend Compensation Committee meetings. Neither of them participates in any decisions relating to his or her own compensation. CEO performance and compensation are discussed by the Compensation Committee in executive session. Our CEO and VP HR, without the presence of any other members of senior management, actively participate in the performance and compensation discussions for our senior executives, including making recommendations to the Compensation Committee as to the amount and form of compensation.

### ***Compensation Committee Interlocks and Insider Participation***

None of the members of the Compensation Committee was at any time during 2011 or at any other time an officer or employee of the Company. No executive officer of the Company serves as a member of the board of directors or compensation committee of any other entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

## **Governance and Nominating Committee**

### ***Responsibilities***

The Governance Committee's responsibilities include:

assisting the Board by identifying individuals qualified to become members of the Board and recommending to the Board candidates to stand for election at the next annual meeting of stockholders;

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recommending committee assignments after consultation with the Chairman of the Board;

assessing and reporting to the Board as to the independence of each director;



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monitoring significant developments in the law and practice of corporate governance and of the duties and responsibilities of directors of public companies;

leading the Board in its annual self-evaluation and evaluation of management, including establishing criteria to be used in connection with such evaluation; and

developing and making recommendations to the Board with respect to a set of corporate governance guidelines.

***Independence***

The Board reviewed the background, experience and independence of the Governance Committee members based in large part on the directors responses to questions relating to their relationships, background and experience. Based on this review, the Board determined that each member of the Governance Committee meets the independence requirements of the NYSE's corporate governance listing standards.

***Director Candidates***

The Governance Committee considers possible candidates for nominees for directors from many sources, including management and shareholders. The Governance Committee evaluates the suitability of potential candidates nominated by shareholders in the same manner as other candidates recommended to the Governance Committee. In identifying individuals to nominate for election to our Board, the Governance Committee seeks candidates that, among other things, have:

proven strength of character, mature judgment, objectivity, intelligence and highest personal and business ethics, integrity and values;

a reputation, both personal and professional, consistent with our image and reputation;

a proven track record of excellence in their field of expertise;

sufficient time to devote to fulfilling their obligations as directors; and

a willingness to represent the best interests of all shareholders and observe the fiduciary duties that a director owes to the shareholders. The Governance Committee Charter states that the Committee seeks a diverse group of candidates, including diversity with respect to age, gender, ethnic background and national origin, who combine a broad spectrum of backgrounds, experience, skills and expertise and who would make a significant contribution to the Board, St. Joe and St. Joe's shareholders.

The Governance Committee identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to St. Joe's business and who are willing to continue in service are considered for re-nomination, balancing the value of continuity of service by existing members of the Board with that of obtaining a new perspective. If any member of the Board does not wish to continue in service or if the Governance Committee or the Board decides not to re-nominate a member for re-election, the Governance Committee identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Governance Committee and Board are polled for suggestions as to individuals meeting the criteria of the Governance Committee. In addition, from time to time, the Governance Committee has engaged the services of executive search firms to assist the Governance Committee and the Board of Directors in identifying and evaluating potential director candidates. Pursuant to our Corporate Governance Guidelines, any nominee in an uncontested election who fails to receive a majority vote in any re-election that requires a majority vote, must tender such director's resignation for consideration by the Board.



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### **Executive Committee**

The Executive Committee was created in March 2011, and may exercise all the powers and authority of the Board in the management of the business and affairs of the Company, except that the Executive Committee may not:

approve or recommend to shareholders actions or proposals required to be approved by shareholders;

fill vacancies on the Board or any committee of the Board;

adopt, amend or repeal the Company's Bylaws;

authorize or approve the reacquisition of Company common stock unless pursuant to a general formula or method specified by the Board; or

authorize or approve the issuance or sale of Company common stock, except in certain circumstances.

### **Code of Business Conduct and Ethics / Related Person Transaction Policy**

Our Board of Directors has adopted a Code of Business Conduct and Ethics applicable to all directors, officers and employees. Its purpose is to promote our commitment to the Company's standards for ethical business practices. The Code provides that it is our policy that our business be conducted in accordance with the highest legal and ethical standards. Our reputation for integrity is one of our most valuable assets, and each director, officer and employee is expected to contribute to the care and preservation of that asset. Our Code addresses a number of issues, including conflicts of interest, corporate opportunities, protection of company assets, confidentiality, insider trading, accounting matters, record keeping, working with governments, antitrust, legal compliance and fair dealing. Our directors review the Code of Business Conduct and Ethics annually to ensure that it appropriately addresses the business practices of the Company.

Our related person transaction policy is part of our Code of Business Conduct and Ethics. The policy states that St. Joe and its employees, officers and directors (related persons) may not have any direct or indirect material interest in any transaction, arrangement or relationship in which the Company, or a competitor of the Company, is a participant. Indirect interests include those through: (1) an immediate family member; (2) any person acting on the related person's behalf; or (3) any entity in which the related person or any of his or her immediate family members are an employee, officer, partner or principal or with which a related person or his or her immediate family members have a significant business relationship.

Our policy prohibiting related person transactions does not apply to interests in transactions arising from: (1) arms-length purchases or sales of goods, real property or services; (2) a related person's position as a director of another corporation or organization that is a party to the transaction; (3) the direct or indirect ownership of less than a 5% equity interest in a public company which is a party to the transaction; and (4) our benefit policies and programs.

Executive officers must disclose to the compliance officer any proposed related person transaction. The compliance officer will then report such proposed transaction to the Board. For related person transactions involving a director, the director must notify the Chairman of the Governance Committee and the compliance officer, who will then bring the matter before the full Board. The Board will resolve any conflict of interest question involving an executive officer or director without compromising the Company's interests. During its review, the Board will consider the nature of the related person's interest in the transaction; the material terms of the transaction; whether or not the transaction would qualify for an exception to the policy; and any other matters the Board deems appropriate. Any director or executive officer involved in the transaction would be recused from all decisions about the transaction.

Our legal staff is primarily responsible for the development and implementation of processes and controls to monitor and obtain information with respect to related person transactions. Although shareholders are not subject to our Code of Business Conduct and Ethics, we do apply the policy against related person transactions to shareholders owning five percent or more of our outstanding common stock.



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There were no related person transactions during 2011.

Our Code of Business Conduct and Ethics, which was last revised on February 8, 2011, is available to view at our website, [www.joe.com](http://www.joe.com), under the Investor Relations-Corporate Governance section. We intend to post on our website information regarding any amendment to the Code of Business Conduct and Ethics or any waiver granted under the Code of Business Conduct and Ethics covered by Item 5.05 of Form 8-K.

**Board Role in Management of Risk**

The Board is actively involved in the oversight and management of risks that could affect St. Joe. This oversight and management is conducted primarily through Committees, but the full Board has retained responsibility for general oversight of risks. The Audit Committee is primarily responsible for overseeing the risk management and risk assessment function. In carrying out its responsibilities, the Audit Committee works closely with senior management. A member of management is assigned to monitor and manage each identified risk. This process is facilitated by our risk manager, who reports directly to the Chair of the Audit Committee, with day-to-day administrative oversight by the CFO. The other committees of the Board consider the risks within their areas of responsibility. The Board satisfies their oversight responsibility through full reports by each committee chair regarding the committee's considerations and actions, as well as through regular reports directly from officers responsible for oversight of particular risks within St. Joe.

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**IV. DIRECTOR COMPENSATION**

Annual Retainer. For 2011, our Board approved the annual retainer fees set forth below, payable in cash or common stock at the election of the director. We do not pay meeting fees.

\$75,000 for each non-employee director;

\$10,000 for the Chair of the Governance and Nominating Committee;

\$12,500 for the Chair of the Compensation Committee;

\$20,000 for the Chair of the Audit and Finance Committee; and

\$50,000 for the Chairman of the Board.

To the extent that a director elected to receive common stock, the director received common stock with a value of 1.25 times the cash retainer foregone. As way of illustration, if a director elected to receive his entire \$75,000 annual retainer in stock, the director would have received common stock with an aggregate value equal to \$93,750, based on the closing price of our common stock on the date of issuance.

To the extent paid in cash, annual retainer fees are payable quarterly in advance. Shares of common stock issued in lieu of cash fees are issued on the first business day of each quarter.

Messrs. Berkowitz, Fernandez and Frank waived their right to receive any annual retainers in connection with their service as non-employee directors of the Company.

**Annual Equity Grant.** For 2011, in connection with the annual shareholders meeting, the Compensation Committee granted each non-employee director an equity grant with an aggregate fair market value of \$100,000, based on the closing price of our common stock on the grant date. Each director has agreed to retain ownership of any shares of common stock received pursuant to his or her annual equity grant until the earlier of five years from the date of grant or the director's retirement from the Board.

Messrs. Berkowitz, Fernandez and Frank waived their right to receive an annual equity grant at the May 2011 annual shareholders meeting.

**Special Retainer.** In addition to the annual retainer granted to all non-employee directors, the Board approved a special annual retainer of \$75,000 to Governor Crist in connection with his assignment to monitor, on behalf of the Board, our ongoing litigation related to the Deepwater Horizon oil spill.

**Expense Reimbursement.** We reimburse directors for travel expenses related to attending Board and committee meetings. In certain circumstances, we may pay the costs for directors to fly on a private airplane to attend Board and committee meetings or for other Company business. We may also invite director spouses to accompany directors to our May board meeting, for which we pay or reimburse travel expenses. We also reimburse directors for seminar fees and travel expenses associated with attending one approved educational seminar each year.

**Charitable Matching Program.** We have chosen to support the charitable and civic activities of our directors. We will match each director's cash contributions to charities in which he or she serves as an officer or trustee up to an aggregate annual amount of \$5,000 per director. We will also contribute to events at which directors are recognized for their services to charitable or civic causes.

**Table of Contents****2011 Director Compensation**

The following table sets forth the compensation of our directors for 2011 (other than Mr. Greene, who served as our Chief Executive Officer from January 2011 to February 2011, and Mr. Durden who served as our Interim Chief Executive Officer from March 2011 to June 2011, whose 2011 compensation is described in the Summary Compensation Table on page 30). Mr. Greene received no additional compensation for his service as a director. Mr. Durden's 2011 compensation, as described in the Summary Compensation Table, includes compensation received for his services as Interim CEO and for his services as a director.

Name	Fees Earned or Paid in Cash <sup>(1)</sup> (\$)	Stock Awards <sup>(2)</sup> (\$)	Option Awards (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(3)</sup> (\$)	All Other Compensation <sup>(4)</sup> (\$)	Total (\$)
Michael L. Ainslie	13	18,737			5,000	23,750
Bruce R. Berkowitz <sup>(5)</sup>						
Charles J. Crist, Jr.	115,000	100,014				215,014
Thomas A. Fanning	16,331	154,059				170,390
Charles M. Fernandez <sup>(5)</sup>						
Howard S. Frank <sup>(5)</sup>						
Jeffrey C. Keil	18,750					18,750
Delores M. Kesler	75,625	100,014				175,639
John S. Lord	64	13,742			5,000	18,805
Thomas P. Murphy, Jr.	56,250	100,014				156,264
Walter L. Revell	66	13,742			5,000	18,808

<sup>1)</sup> The amounts shown include the annual retainer for all directors, additional committee chair fees and with respect to Governor Crist, the special annual retainer.

The following directors elected to receive a portion of their annual retainer in common stock in lieu of cash. Mr. Fanning, 2,446 shares; Mr. Lord, 619 shares; Mr. Ainslie, 844 shares; and Mr. Revell, 619 shares. The amounts attributable to common stock received in lieu of cash reflect the full grant date fair values of the stock under FASB ASC Topic 718. These shares of common stock were fully vested as of the applicable grant date. Certain of the amounts shown include de minimis cash payments in lieu of fractional shares.

<sup>2)</sup> Each director was granted 4,169 shares of common stock at the annual meeting of 2011 Annual Meeting in May 2011. This column shows the grant date fair value under FASB ASC Topic 718 of the common stock granted to the directors, excluding any contingency for forfeitures. Please refer to Note 2 of our Consolidated Financial Statements, which are included in our Annual Report on Form 10-K filed with the SEC on February 27, 2011 (the 2011 Annual Report ) for the for the assumptions utilized in calculating fair value.

<sup>3)</sup> We instituted the Directors' Deferred Compensation Plan (the DDCP ) in 2001. In 2004, we froze participation in the DDCP. In 2011, we terminated the plan. Mr. Durden is the only participant in the DDCP. Please see footnote 5 to the Summary Compensation Table on page 30 for discussion.

<sup>4)</sup> The amounts shown for Messrs. Ainslie, Lord and Revell reflect contributions by the Company to nonprofit organizations selected by these directors in connection with our Charitable Matching Program described above.

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<sup>5)</sup> Messrs. Berkowitz, Fernandez and Frank waived any compensation for their services as directors in 2011.



**Table of Contents****V. PROPOSAL 2 RATIFICATION OF INDEPENDENT****REGISTERED PUBLIC ACCOUNTANTS**

The Audit Committee of the Board of Directors has appointed KPMG to continue to serve as our independent registered public accounting firm for the 2012 fiscal year. KPMG has served as our independent registered public accounting firm since 1990. In the event our shareholders do not ratify the appointment, the appointment may be reconsidered by the Audit Committee. Ratification of the appointment of KPMG to serve as our independent registered public accounting firm for the 2012 fiscal year will in no way limit the Audit Committee's authority to terminate or otherwise change the engagement of KPMG for the 2012 fiscal year.

We expect a representative of KPMG to attend the Annual Meeting. The representative will have an opportunity to make a statement if he or she desires and also will be available to respond to appropriate questions.

In connection with the audit of our 2011 financial statements and internal control over financial reporting, we entered into an agreement with KPMG which sets forth the terms by which KPMG performed audit services for us.

**Fees Paid to KPMG**

We were billed for professional services provided with respect to fiscal years 2010 and 2011 by KPMG in the amounts set forth in the following table.

<b>Services Provided</b>	<b>2010</b>	<b>2011</b>
Audit Fees <sup>(1)</sup>	\$ 964,240	\$ 1,008,000
Audit-Related Fees		
Tax Fees <sup>(2)</sup>	142,240	159,135
All Other Fees		
<b>Total</b>	<b>\$ 1,106,480</b>	<b>\$ 1,167,135</b>

(1) These professional services included fees associated with (i) the audit of our annual financial statements (Form 10-K); (ii) reviews of our quarterly financial statements (Forms 10-Q); and (iii) the audit of St. Joe's internal control over financial reporting and attestation services in connection with St. Joe's compliance with Section 404 of the Sarbanes-Oxley Act of 2002. These amounts do not include reimbursement of expenses equaling \$155,131 for 2010 and \$189,000 for 2011.

(2) These professional services include fees associated with (i) compliance for preparation of tax returns, (ii) assistance with tax planning strategies and (iii) tax examination assistance.

KPMG also serves as independent auditor for two joint ventures in which the Company is a partner in 2010 and served as independent auditor for three joint ventures in 2009. During 2010, these joint ventures paid KPMG LLP audit fees of \$25,000 and tax fees of \$9,000. During 2011, these joint ventures did not pay KPMG LLP either audit fees or tax fees.

**Recommendation of the Board of Directors**

The Board of Directors recommends a vote **FOR** ratification of the appointment of KPMG as our independent registered public accounting firm for the 2012 fiscal year.

**Pre-Approval Policies and Procedures for Audit and Permitted Non-Audit Services**

The Audit Committee's Charter requires that the Audit Committee pre-approve all auditing services, internal control-related audit services and permitted non-audit services to be performed by its independent



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auditors. The Audit Committee may delegate to the Chair of the Audit Committee the authority to pre-approve certain auditing services and non-audit services, provided that the Chair present such approvals at the next Audit Committee Meeting. In connection with making any pre-approval decisions, the Audit Committee must consider whether the provision of such permitted non-audit services by KPMG is consistent with maintaining KPMG's status as our independent auditors.

Consistent with these policies and procedures, the Audit Committee approved all of the services rendered by KPMG during fiscal year 2011, as described above.

**AUDIT COMMITTEE REPORT**

The Audit Committee (we, us or the Committee) oversees the financial reporting process of the Company on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including internal control over financial reporting and disclosure controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. A full discussion of the membership of the Audit Committee and the responsibilities performed by it pursuant to the Audit Committee Charter is set forth above on page 10.

In the performance of its oversight function, the Committee has reviewed and discussed the audited financial statements with management. We discussed with KPMG LLP, the Company's independent registered public accounting firm, its audit of the financial statements and of the Company's internal control over financial reporting. We discussed with KPMG and the Company's internal auditor the overall scope and plans for their respective audits. We have reviewed and discussed with management its process for preparing its report on its assessment of the Company's internal control over financial reporting, and at regular intervals we received updates on the status of this process and actions taken by management to respond to issues and deficiencies identified.

We have discussed with KPMG LLP the matters required to be discussed by Statement on Auditing Standards (SAS) No. 61 (Communication with Audit Committees), as amended (AICPA Professional Standards Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. We also received the written disclosures and the letter from KPMG regarding its independence as required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and discussed with KPMG its independence. We concluded that KPMG's independence was not compromised by the non-audit services provided by KPMG, the majority of which consisted of tax services.

Based on the reviews and discussions referred to above, we recommended to the Board (and the Board subsequently approved our recommendation) that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 for filing with the SEC. We also evaluated and selected KPMG as the Company's independent auditors for 2012, which the shareholders will be asked to ratify at the 2012 Annual Meeting of Shareholders.

Howard S. Frank, *Chair*

Jeffrey C. Keil

Delores M. Kesler

March 27, 2012

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**VI. EXECUTIVE OFFICERS**

Set forth below is certain information relating to our current executive officers and key employees. Biographical information with respect to Mr. Brady is set forth above under Proposal 1 Election of Directors.

**Patrick D. Bienvenue**, 57, has served as our Executive Vice President since September 2011. Prior to joining us, Mr. Bienvenue spent 15 years at Leucadia National Corporation, most recently serving as President of Leucadia Development Corporation and President of Leucadia Financial Corporation. Prior to joining Leucadia, Mr. Bienvenue was President of Torwest, Inc., where he was responsible for developing the Windsor Community in Vero Beach, Florida. Prior to joining Torwest, Mr. Bienvenue was an executive with Canadian Pacific Limited's Marathon Realty Limited in Toronto, as well as the Trizec Corporation in Montreal and Stamford, Connecticut.

**David Harrelson**, 56, joined us in 1976 and has served as our Senior Vice President, Timberland since February 2012. Previously, Mr. Harrelson had served as our Vice President, Timberland from 2006. Mr. Harrelson is responsible for the timber resources and land management on non-entitled property. Since joining as an entry-level forester, Mr. Harrelson has held various positions of increasing responsibility within the forestry division.

**Stephen Hilliard**, 57, joined us in 2005 and has served as our Senior Vice President, Operations since April 2011. Previously, Mr. Hilliard served as Vice President, Resort and Club Operations from 2007 to April 2011 providing strategic direction and oversight for our lodging, golf, food and beverage, beach club and marina operations.

**Thomas J. Hoyer**, 49 has served as our Chief Financial Officer since March 2012. Mr. Hoyer has approximately 25 years of financial management experience, most recently with eDiets.com, Inc., a provider of personalized nutrition, fitness and weight-loss programs, where he served as Senior Vice President, Chief Financial Officer and Treasurer since March 2008. From January 2007 through May 2007, Mr. Hoyer was Chief Financial Officer of Digital Angel, Inc., a manufacturer and distributor of visual ID, radio frequency and GPS tracking products. Prior to joining Digital Angel, Inc., Mr. Hoyer spent over 20 years in the construction and construction equipment industries, most recently serving as Chief Financial Officer of NationsRent Companies, Inc., a construction equipment distribution and services company, from 2003 through 2006.

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**VII. COMPENSATION DISCUSSION AND ANALYSIS**

*This Compensation Discussion and Analysis is designed to provide our shareholders with a clear understanding of our compensation philosophy and objectives, the compensation-setting process, and the 2011 compensation of our named executive officers, or NEOs. As discussed in Proposal III on page 39, we are conducting our annual Say on Pay vote that requests your approval of the compensation of our NEOs as described in this section and in the tables and accompanying narrative contained in Executive Compensation. To assist you with this vote, you should review our compensation philosophies, the design of our executive compensation programs and why we believe that our current compensation contributed, in the second half of 2011, and will contribute, in the future, to our financial performance.*

**Executive Summary**

***Changes in Board Composition and Senior Management***

During early 2011, we experienced significant changes in the composition of our Board and of our senior management. In late February and early March, based on discussions with our largest shareholder Fairholme Capital Management, L.L.C., our Board agreed to enter into a Separation Agreement with Mr. William Britton Greene, our then-current Chief Executive Officer, pursuant to which he resigned as our CEO and as a member of our Board. In addition, three of our independent directors resigned from the Board. These four directors were replaced with Messrs. Berkowitz, Fernandez and Frank and Governor Crist. Shortly thereafter, we entered into separation agreements with four additional members of senior management, including William S. McCalmont, Executive Vice President ( EVP ) and Chief Financial Officer ( CFO ), Roderick T. Wilson, President, West Bay Sector and Rusty Bozman, Senior Vice President, Corporate Development.

Upon the resignation of Mr. Greene, the Board appointed one of our independent directors, Hugh M. Durden, to serve as interim Chief Executive Officer for a three-month period. Effective as of March 21, 2011, the Board engaged Park Brady to serve as our Chief Operating Officer. In June 2011, Mr. Durden completed his term as interim CEO and Mr. Brady assumed the responsibilities of Principal Executive Officer. In October 2011, the Board appointed Mr. Brady as our CEO and elected him to the Board.

As a result of the changes in the composition of our Board, we experienced a change in control as defined in the employment agreements in effect for Messrs. Greene, McCalmont, Wilson and Bozman (the Former Senior Management ). Consequently, upon their termination, each of these executives was entitled to receive pursuant to their employment agreements a lump sum severance payment equal to (1) two times the sum of the executive's base salary plus the executive's targeted annual bonus; (2) a pro rata portion of the annual bonus the executive would have earned in that year; (3) an amount calculated based on hypothetical continued service by the executive for a period of two years (three years for Mr. Greene) for purposes of determining benefits payable under our retirement plan and non-qualified supplemental executive retirement plan ( SERP ), but only to the extent such amount would exceed the executive's actual benefit under the plans; and (4) a gross-up payment for any required excise tax payments. In addition, we agreed to (A) continue to pay our portion of the cost of continued health and welfare benefits from the termination date until the conclusion of the two-year period after the change in control and (B) reimburse the executive for up to \$20,000 for outplacement services. The Separation Agreements executed with each of Messrs. Greene, McCalmont, Wilson and Bozman provided only for those amounts that were payable pursuant to the existing employment agreement.

Subsequent to our change in control, the composition of our Compensation Committee was composed of two of the newly elected directors, Governor Crist and Mr. Fernandez, and one continuing director Ms. Kesler. Upon Mr. Fernandez's resignation from the Board in September 2011, Mr. Keil joined the Compensation Committee.

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### ***New Compensation Arrangements and 2011 Compensation Decisions***

Subsequent to the change in control, our new Compensation Committee has adopted compensation arrangements for our named executive officers that it believes are more reflective of the difficult economic conditions facing the real estate industry and the challenges facing our company and properly align management's interests with those of the shareholders.

*New Form of Employment Agreement.* In light of the difficult real estate economy and recent changes in our Board, the Compensation Committee believes that it needs to continue to provide employment agreements in order to attract strong talent to the Company. However, the Compensation Committee has approved a new form of employment agreement that it believes is responsive to the needs of investors and in-line with emerging corporate governance best practices. Specifically, our new form of employment agreement:

Reduces the amount of severance payable in the event of termination by us without cause or by our executive for good reason to only 1x salary, from 1.5x or 2x, and excludes target bonus from the calculation;

Eliminates additional contributions to retirement plans and SERP;

Eliminates any increased multiple in the event that a covered termination occurs within two years of a change in control; and

Eliminates tax gross-up payments.

*Eliminated Formula-Based Annual Bonus.* For 2012, our Compensation Committee has decided not to adopt any formula-based annual bonus for named executive officers and will only award discretionary bonuses based on the Compensation Committee's discretionary evaluation of the Company's overall financial performance and the contribution of such officer.

*Suspended Equity Compensation Awards.* As discussed above, as a result of our change in control at the end of February 2011, significantly all of our long-term equity compensation awards, including all those awarded in 2011 (which vested at target level) fully vested. In light of this vesting and the on-going changes in management, the Compensation Committee decided that it would not adopt or award new long-term equity awards for the remainder of 2011. In early 2012, the Compensation Committee decided to continue the decision to not adopt a formal long-term equity compensation program for 2012 to permit the Compensation Committee the opportunity of evaluating the appropriate short and long term performance objectives for the Company.

### **Named Executive Officers**

For 2011, our named executive officers were

Park Brady, our current CEO;

Hugh Durden, our Interim CEO from March 2011 to June 2011;

William Britton Greene, our former CEO from January 2011 to March 2011;

Janna Connolly, our former Senior Vice President ( SVP ) & CFO from March 2011 to March 2012;

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William McCalmont, our former EVP & CEO from January 2011 to March 2011;

Patrick Bienvenue, our current EVP;

Stephen Hilliard, our current SVP, Operations;

David Harrelson, our current SVP, Timberlands;

Roderick Wilson, our former President, West Bay Sector from January 2011 to March 2011; and

Rusty Bozman, our former SVP, Corporate Development from January 2011 to March 2011.

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Please see the Separation Agreements with Messrs. McCalmont, Wilson and Bozman section of this Compensation Discussion and Analysis for a description of benefits that were paid to Messrs. Greene, McCalmont, Wilson and Bozman in connection with their separation. On March 7, 2012, Ms. Connolly announced her intention to resign from the Company.

### **Compensation Setting Process**

#### ***Role of Compensation Committee, Outside Advisors and Management***

##### **Compensation Committee**

Pursuant to its Charter, the Compensation Committee assists the Board in ensuring that a proper system of long-term and short-term compensation is in place to provide performance-oriented incentives to management, and that compensation plans are appropriate, competitive and properly reflect the objectives and performance of management and the Company. The Compensation Committee is responsible for overseeing the determination, implementation and administration of remuneration, including compensation, benefits and perquisites, of all executive officers and other members of senior management. The Compensation Committee recommends CEO compensation to the full Board for its approval.

##### **Outside Advisors**

To assist it in fulfilling its responsibilities, the Compensation Committee has engaged Towers Watson from time to time to provide the Compensation Committee a review of compensation practices at other companies. Based on the simplification of the executive compensation structure, the Compensation Committee requested that Towers Watson provide consulting, but not to provide a detailed benchmarking analysis during 2011. To date, Towers Watson has worked exclusively on executive and director compensation initiatives and plans on behalf of the Compensation Committee and does not have other consulting arrangements with the Company.

##### **Role of Management**

Our Compensation Committee relies on management for legal, tax, compliance, finance and human resource recommendations, data and analysis for the design and administration of the Company's compensation, benefits and perquisite programs for our senior executives. The Compensation Committee combines this information with the recommendations and information from its independent compensation consultant.

Our CEO and our VP HR generally attend Compensation Committee meetings. Neither of them participates in any decisions relating to his or her own compensation. CEO performance and compensation are discussed by the Compensation Committee in executive session. Our CEO and VP HR, without the presence of any other members of senior management, actively participate in the performance and compensation discussions for our senior executives, including making recommendations to the Compensation Committee as to the amount and form of compensation.

##### **Compensation Peer Group**

In connection with its compensation decisions in early 2011, the Compensation Committee informally referred to the compensation peer group that the Compensation Committee had adopted in 2010, for compensation data, but did not undertake extensive additional peer group analysis. After review, the Compensation Committee determined that the Company's compensation practices were generally consistent with the practices of the peer group. The companies in the peer group included the following:

AMB Property Corporation  
Developers Diversified Realty Corporation  
Duke Realty Corporation  
Highwoods Properties  
Jones Lang LaSalle Incorporated  
Kimco Realty Corporation  
The Macerich Company

MDC Holdings Inc.  
NVR, Inc.  
Plum Creek Timber Company, Inc.  
Regency Centers Corporation  
Rayonier Inc.  
Toll Brothers Inc.  
WP Carey & Co. LLC



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The Compensation Committee used the data from the peer group to ensure that it is acting responsibly and to establish points of reference to determine whether and to what extent it is establishing competitive levels of compensation for our executives. The Compensation Committee does not target a specific percentile of the peer group. Rather, the Compensation Committee compares numerous elements of executive compensation, including base salaries, annual incentive compensation, long-term cash and equity-based incentives and retirement benefits, to assist in determining whether proposed compensation programs are competitive and then uses its experience and judgment to make final compensation decisions.

## **Employment and Separation Agreements**

### ***Separation Agreement with Mr. Greene***

On February 25, 2011, we entered into a Separation Agreement with Mr. Greene in connection with his resignation as our President and Chief Executive Officer and as member of our Board. Pursuant to the Separation Agreement with Mr. Greene, we agreed to provide the following payments and benefits to Mr. Greene: (i) a cash lump sum of \$2,920,000 six months after the effective date of his resignation as President and Chief Executive Officer of the Company (the Termination Date); (ii) a pro rata bonus of \$118,000, as a cash lump sum; (iii) \$1,053,225, which the parties agree represents additional benefits payable under the Company's Supplemental Executive Retirement Plan had he continued to be employed with the Company during the 36 months following the Termination Date, payable six months after the Termination Date; (iv) (A) the COBRA premium for medical and dental insurance for him and his family under COBRA for the lesser of 18 months after the Termination Date or the date on which he becomes ineligible for COBRA continuation coverage (the COBRA Coverage Period), provided that he will reimburse the Company each month in the amount that an employee participating in the medical and dental insurance plan would be required to contribute (the Employee Contribution), and (B) if Mr. Greene has not become eligible for coverage under the healthcare insurance plan of another employer, a lump sum payment at the end of the COBRA Coverage Period equal to six times the monthly premium to provide substantially the same benefits minus six months of the Employee Contribution; (v) the premiums for basic life and disability insurance policies for a period of 24 months after the Termination Date; (vi) up to \$20,000 as reimbursement for outplacement services during t